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The co-operative model as a 'living experiment in democracy'

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ABSTRACT

Theories regarding the purposes and justifications of property guide in part the way in which American business enterprises are run today. This raises the question – if purely capitalist corporations are founded upon an understanding of property most in line with the theories of established property scholars Bentham and Locke, is there room for a different kind of concept of property in the realm of U.S. business? In this paper I explore the way in which the workers' cooperative model infuses a sense of moral responsibility into a group of individuals' understanding of "property" in order to create a collectively managed enterprise that measures success both in economic and socio-political terms. I first review a large body of literature on the various forms of cooperative ownership and management, focusing on the history of the co-operative model, the rights entailed under the model, and the advantages as well as criticisms associated with co-operatives. I then use this literature to situate a case study example of a co-operative organization – The Cheese Board Collective, a worker-owned artisan cheese and pizza shop in Berkeley, California – and to analyze my findings.

1. Introduction

In his 1927 lecture on property and sovereignty to Cornell Law School, the jurist, Morris Cohen, stated that as members of a community, property owners must "subordinate their ambition to the larger whole of which they are a part." He illustrated this concept with the example of Robinson Crusoe. Even if Crusoe had grown up alone on his island and had no outstanding debt to any community, Cohen says that it would still be questionable whether he had the "right" to keep the full produce of his labor if a shipwrecked sailor arrived and needed some of his surplus food to stay alive. By acting in the interests of others, property owners like Crusoe "may find their compensation in spiritually identifying their good with that of the larger life."

Cohen's understanding of property differs from some of the key property theorists before him, and from various scholars on property since. Cohen inserts the concepts of moral obligation and moral fulfillment into his beliefs on property, which are not present in the writings of property theorists such as Jeremy Bentham and John Stuart Mill, for example, who argue that the distribution of property should be based on the utilitarian goal of the greatest happiness for the greatest number of people, regardless of individual wealth inequalities. To Bentham, the security of property rights is of utmost importance in order to maintain a person's expectations and avoid the "pain of disappointment." Unequal property distributions are thus unproblematic, because for the poor man, "the wish of what seems impossible does not torment" (Bentham, 1802).

Theories regarding the purposes and justifications of property guide in part the way in which American business enterprises are run today. This raises the question – if purely capitalist corporations are founded upon an understanding of property most in line with the theories of Bentham and Locke, what room is there for Cohen's concept of property in the realm of U.S. business? In this paper I explore the way in which the workers' cooperative model infuses a sense of moral responsibility into a group of individuals' understanding of "property" in order to create a collectively managed enterprise that measures success both in economic and socio-political terms. I first review a large body of literature on the various forms of cooperative ownership and management, focusing on the history of the cooperative model, the rights entailed under the model, and the advantages as well as criticisms associated with cooperatives. I then use this literature to situate a case study example of a cooperative organization, The Cheese Board Collective, a worker-owned artisan cheese and pizza shop in Berkeley, California, and to analyze my findings.

The purpose of this study is to examine the principles of cooperative management through a qualitative case study of a longstanding existing cooperatively owned retail store in North

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America. To date, research on the cooperative business model within management and organization studies is disproportionately scant in relation to the prevalence and proliferation of cooperatives across the world. There is a need for scholarship that addresses the questions of how, why and when cooperative organizations arise and succeed, or fail and disappear, as well as how they can be managed for long-term success (Jussila, 2013). To better understand cooperative organizations and their management, one approach is the use of the *extended case method* (ECM) to investigate the way in which the ideas and principles of cooperative management operate in specific contexts in various parts of the world. As a methodological tool, ECM examines interacting effects of various forces on a particular case in order to modify wider theoretical assertions (Burawoy, 1991). In this study, I use ECM to uncover the praxis-level realities of a particular case of cooperative ownership in order to advance our broader understanding of the benefits, limitations and successful design principles associated with the cooperative form of enterprise. In particular, I examine the application of Ostrom's (1990) design principles for stable common pool resource (CPR) management to governance of other forms of cooperative management – in this case, a worker cooperative. While Ostrom's principles have been well tested in the realm of natural resource management, surprisingly, they have featured less prominently in the cooperative business management literature. A key question is – how broad is the applicability of Ostrom's design principles to cooperative action? On the one hand, her conceptual framework was developed for the realm of shared natural resources, which may suggest that her theories do not directly translate to the worker cooperative context. On the other, her principles may still offer insightful possibilities for governance design (Bordman, 2014). Indeed, there is recognition (albeit limited) that Ostrom's findings regarding collaborative action can and do apply in a myriad of cooperative situations (Lund, 2011). This case study sets out to test the utility of Ostrom's design principles for explaining cooperative enterprise success. As an auxillary goal, this study also sets out to confirm the well-established principles of cooperative enterprises and to refute some of the key neoclassical critiques of cooperatives in a unique context – that of a worker-owned cheese shop in Berkeley, California, USA.

While case studies can be both qualitative and quantitative in their analysis, I rely primarily on qualitative interview-based data to refute common neoclassical critiques of cooperatives, to elucidate cooperative principles in action, and to explain The Cheese Board's long-term success. This is in part because research in cooperative organization and management is in early stages of development – a point at which qualitative research is particularly useful for generating conceptual ideas, articulating processes and inductively theorizing (Jussila, 2013; Kanbur, 2001; Oberg, 2011; Pratt, 2009). It is also because qualitative analysis is particularly well suited for small sample sizes, as is the case in this study. While this analysis of The Cheese Board tests theory regarding cooperative management (as opposed to developing theory purely through induction), a qualitative approach allows for a more iterative process between theory building and theory testing – a hallmark of the extended case study method.

1.1. Human agency and choice: situating cooperative theory within a broader theoretical debate

A study of the cooperative model and the theories that have developed around it expose a much larger longstanding debate between neoclassical economists and sociologists over the way in which human agency and individual choice can be understood. Simply put, economists tend to hold the belief that humans are self-regarding and utility-maximizing, whereas sociologists see individuals as embedded in society and social relationships of reciprocity (Polanyi, 1954). Under a Durkheimian perspective, people form groups that are fundamentally moral in character and in which the community is not simply added up by its individual parts but constitutes an integrated whole (Durkheim, 1893). To such anti-reductionist social scientists, life is not just a series of constrained optimization problems, but the living out of shared understandings of fairness or justice (Bardhan & Ray, 2006). As scholar Carol Rose notes, self interest has some distinct limitations as a basis for property regimes because "there is a gap between the kind of self-interested individual who needs exclusive property to induce him to labor and the kind of individual [the "mom" figure] who has to be there to create, maintain and protect the property regime" (Rose, 1994). In this light, society is understood to be comprised of individuals who, far from exhibiting entirely self-serving traits, are often altruistic and communitarian-oriented in nature.

With an understanding of the differing discourse between these two disciplines, it becomes clear why there are so many disparate theories on why cooperatives do or do not work which fail to converse with each other. Viewed through a neoclassical economical lens, cooperatives are doomed because of the numerous structural loopholes that exist which self-maximizing individuals could exploit, and because of the limited room for growth in capital, which supposedly self-regarding individuals would find unsatisfactory. Examined through a sociologist's lens, however, cooperatives speak to a society's shared understanding of fairness and justice and can be comfortably situated within the concept of a "moral economy" in which individuals act not only to advance their well-being, but also to improve outcomes for everyone in the system (Geertz, 1963). In the abstract it is thus difficult to compare various analyses of the cooperative model, given that they are built upon different premises of the way in which human beings can be expected to act and interact with each other. However, findings from a limited case study example of the Cheese Board Collective (CBC) support a large body of literature on cooperative action (Scott, 1976; Ostrom, 1990; Rose, 1994) that suggests that humans do not exist as purely rational self-regarding individuals.

1.2. A note on analyzing cooperative "success"

Cooperatives, despite their existence as for-profit enterprises, must be evaluated according to multiple measures of success, given that their founding goals are not solely economic. To compare a cooperative's success with a capitalist enterprise's success is to compare apples with oranges. Stated aptly by Rothschild-Whitt based on her study of collectivist work organizations, "collectivist organizations should be assessed not as failures to achieve bureaucratic standards they do not share, but as efforts to realize wholly different values. It is in the conceptualization of alternative forms that organization theory has been weakest" (Rothschild-Whitt, 1979). Even if critics do not explicitly compare the two, they often evaluate a cooperative using the same economic criteria that they would use to evaluate a capitalist business, which misses the point. Measures of income, as defined by monetary profit, mean little if cooperative firms are purposefully making choices that seek to increase intangible income – what Vanek calls "peace of mind" or what is often referred to as social justice. As Vanek writes about worker management, "the comparative advantage of labor-managed systems becomes even stronger once we leave the strictly economic frame of reference and replace it by one that takes account of broader human values" (Vanek, 1969). These advantages go unrecognized in many neoclassical economic analyses of collective ownership.